

**POWELL TOWNSHIP SCHOOLS
BIG BAY, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

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INDEPENDENT AUDITORS' REPORT

Board of Education
Powell Township Schools
Big Bay, Michigan 49839

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Powell Township Schools, Big Bay, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Powell Township Schools, Big Bay, Michigan as of June 30, 2005, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 29 are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements that collectively comprise Powell Township Schools basic financial statements. The accompanying other supplemental information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 21, 2005

Powell Township Schools Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Powell Township Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2005. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- Net assets for Powell Township Schools as a whole were reported at \$547,228. Net assets are comprised of 100% governmental activities.
- During the year, Powell Township Schools expenses were \$856,010, while revenues from all sources totaled \$855,450, resulting in a decrease in net assets of \$560.
- The general fund reported an increase of \$17,163 before other financing sources (uses) and a total increase of \$2,488. This is \$17,990 greater than the forecasted decrease of \$15,502. This was a result of revenues being \$3,457 lower than forecasted and expenses and transfers out being \$21,447 lower than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Powell Township Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Powell Township Schools as a whole begins on page 5. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety

Management's Discussion and Analysis (Unaudited) (Continued)

of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 7. The fund financial statements begin on page 13 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds – *governmental* and *proprietary* – use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* –The School District does not have any Proprietary funds.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2005 and 2004.

Table 1
Net Assets

	Governmental Activities-2005	Governmental Activities-2004
Current and other assets	\$437,081	\$403,081
Capital assets, net	273,841	319,293
Total Assets	710,922	722,374
Current liabilities	89,274	85,243
Long-term liabilities	74,420	89,343
Total Liabilities	163,694	174,586

Management's Discussion and Analysis (Unaudited) (Continued)

	Governmental Activities-2005	Governmental Activities-2004
Net Assets:		
Invested in capital assets, net of related debt	\$249,204	\$283,214
Restricted	80,000	80,000
Unrestricted	218,024	184,574
Total Net Assets	<u>\$547,228</u>	<u>\$547,788</u>

The School District's net assets were \$547,228 at June 30, 2005. Capital assets, net of related debt totaling \$249,204, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$218,024 was unrestricted.

The \$218,024 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2005 and 2004.

Table 2
Changes in Net Assets

	Governmental Activities – 2005	Governmental Activities - 2004
Revenues:		
Program revenues:		
Charges for services	\$10,417	\$16,515
Operating grants and contributions	150,187	176,411
General revenues:		
Property taxes	660,459	626,536
State sources not restricted to specific program	24,520	10,658
Investment earnings	9,767	3,014
Miscellaneous	100	3,025
Total Revenues	<u>855,450</u>	<u>836,159</u>
Program Expenses:		
Instruction	544,074	552,755
Supporting services	266,512	241,683
Community services	373	719
Food service activities	44,433	38,525
Athletic activities	56	106
Interest on long-term debt	562	3,929
Total Expenses	<u>856,010</u>	<u>837,717</u>
Increase (decrease) in net assets	(560)	(1,558)
Net assets, beginning	547,788	549,346
Net Assets, Ending	<u>\$547,228</u>	<u>\$547,788</u>

Management's Discussion and Analysis (Unaudited) (Continued)

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$856,010.

The School District experienced a minimal decrease in net assets for the year of \$560.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$544,074	\$412,215
Supporting services	266,512	266,512
Food service activities	44,433	20,401
Totals	\$855,019	\$699,128

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$359,824, an increase of \$29,296 from the beginning of the year. The change in the combined fund balance was a result of Powell Township School making a conscious effort to try and reduce spending to maintain a fund balance that will assist the School in remaining financially stable for the upcoming year. In 2004 – 2005 Powell Township Schools has set aside \$25,000 in the Capital Projects fund balance for needed upgrades in building, technology, and transportation.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

BUDGETED REVENUES:

General Fund Revenues changed from Original to Final Budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$778,988</u>	<u>\$798,583</u>	<u>\$19,595</u>	<u>2.5%</u>

Powell Township School's final budgeted revenues differed from the original budget as follows:

- By \$19,595 or 2.5%.

Management's Discussion and Analysis (Unaudited) (Continued)

The significant increase in the budgeted revenue can be attributed mainly to grants. Grants are recognized on Powell Township School's financial statements once the School receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year.

BUDGETED EXPENDITURES

General Fund Expenditures changed from the Original to Final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$787,202</u>	<u>\$803,404</u>	<u>\$16,202</u>	<u>2.1%</u>

Powell Township School's final budgeted expenditures differed from the original budget as follows:

- By \$16,202 or 2.1%

The significant increase in the budgeted expenditures can be attributed partially to grants. Grants are recognized on Powell Township School's financial statements once the School receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant expenditures that will be expended in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Also, due to rising gas prices, there was a substantial increase in Powell Township School's budget for heating costs (\$10,950).

ACTUAL REVENUES

The General Fund Actual Revenues differed from the Final Budget as follows:

	Actual	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$792,143</u>	<u>\$798,583</u>	<u>\$6,440</u>	<u>0.1%</u>

Powell Township School's final budgeted revenues differed from the actual revenues as follows:

- By \$6,440 or 0.1% less than the final budget.

The significant variance in revenue can be attributed partially to grants. Grants are recognized on Powell Township School's financial statements once the School received formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Other contributing factors were USF revenue and donations being less than anticipated.

Management's Discussion and Analysis (Unaudited) (Continued)

ACTUAL EXPENDITURES

General Fund Actual Expenditures differed from the Final budget as follows:

	Actual	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$781,957</u>	<u>\$803,404</u>	<u>\$(21,447)</u>	<u>2.7%</u>

Powell Township School's final budgeted expenditures differed from the actual expenditures as follows:

- By \$21,447 or 2.7% less than the final budget.

The significant variance in expenditures can be attributed partially to grants. Grants are recognized on Powell Township School's financial statements once the School receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Another contributing factor was insurance estimates being higher than actual costs.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2005 and 2004, the School District had \$273,841 and \$319,293 invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

Table 4
Capital Assets at Year-End

	Governmental Activities – 2005	Governmental Activities – 2004
Land	\$94,512	\$94,512
Buildings and improvements	347,716	347,716
Buses	169,093	169,093
Furniture and fixtures	144,115	144,115
	<u>755,436</u>	<u>755,436</u>
Less accumulated depreciation	<u>(481,595)</u>	<u>(436,143)</u>
Totals	<u>\$273,841</u>	<u>\$319,293</u>

There were no current year additions. We anticipate capital additions for the 2005-2006 fiscal year will be comparable to the 2004-2005 fiscal year.

Debt

There were no new additions to debt this year. At the end of this year, the School District had an installment bus note payable in the amount of \$24,637. We present more information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2006 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 77 percent of our revenue.

Management's Discussion and Analysis (Unaudited) (Continued)

The collection of revenues by the State can also affect the School District's general operation budget as it did in 2005. School districts throughout the state must adjust their budgets if the State decreases the per pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2005-06 school year, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Powell Township Schools, P.O. Box 160, Big Bay, MI 49808

**Powell Township School District
Statement of Net Assets
June 30, 2005**

	<u>Governmental Activities</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 357,276
Receivables:	
Due from other governmental units	79,214
Due from other funds	-
Inventories	<u>591</u>
TOTAL CURRENT ASSETS	<u>437,081</u>
Non-current assets:	
Capital assets	755,436
Less accumulated depreciation	<u>(481,595)</u>
TOTAL NON-CURRENT ASSETS	<u>273,841</u>
TOTAL ASSETS	<u>710,922</u>
LIABILITIES:	
Current liabilities:	
Accounts payable	10,513
Accrued payroll and other liabilities	58,854
Deferred revenue	7,890
Current portion of long term debt obligations	<u>12,017</u>
TOTAL CURRENT LIABILITIES	<u>89,274</u>
Non-current liabilities:	
Non-current portion of employee benefit obligations	61,800
Non-current portion of long term debt obligations	<u>12,620</u>
TOTAL NON-CURRENT LIABILITIES	<u>74,420</u>
TOTAL LIABILITIES	<u>163,694</u>
NET ASSETS:	
Invested in capital assets net of related debt	249,204
Restricted:	
CDJ	80,000
Unrestricted	<u>218,024</u>
TOTAL NET ASSETS	<u><u>\$ 547,228</u></u>

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Statement of Activities

For the Year Ended June 30, 2005

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction and instructional support	\$ 544,074	\$ 714	\$ 131,145	\$ (412,215)
Supporting services	266,512	-	-	(266,512)
Food service activities	44,433	4,990	19,042	(20,401)
Athletic activities	56	-	-	(56)
Community services	373	4,713	-	4,340
Interest on retirement of debt	562	-	-	(562)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 856,010</u>	<u>\$ 10,417</u>	<u>\$ 150,187</u>	<u>(695,406)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				647,680
Commercial forest tax				12,779
State of Michigan aid, unrestricted				24,520
Interest and investment earnings				9,767
Contributions				-
Other				100
TOTAL GENERAL REVENUES AND TRANSFERS				<u>694,846</u>
Change in Net Assets				(560)
Net Assets , July 1				<u>547,788</u>
Net Assets, June 30, 2005				<u>\$ 547,228</u>

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

Balance Sheet

June 30, 2005

	General Fund	Library Trust Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
ASSETS:					
Cash and cash equivalents	250,170	497	25,000	298	\$ 275,965
Investments - certificates of deposit	-	81,311	-	-	81,311
Due from other governmental units	79,214	-	-	-	79,214
Due from other funds	-	-	-	-	-
Inventories	-	-	-	591	591
TOTAL ASSETS	<u>\$ 329,384</u>	<u>\$ 81,808</u>	<u>\$ 25,000</u>	<u>\$ 889</u>	<u>\$ 437,081</u>
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 10,426	\$ -	\$ -	\$ 87	\$ 10,513
Accrued liabilities	58,643	-	-	211	58,854
Due to other fund	-	-	-	-	-
Deferred revenue	7,299	-	-	591	7,890
TOTAL LIABILITIES	<u>76,368</u>	<u>-</u>	<u>-</u>	<u>889</u>	<u>77,257</u>
FUND BALANCES:					
Reserved for:					
CDJ	-	80,000	-	-	80,000
Retirement of debt	-	-	-	-	-
Unreserved:					
Designated	-	-	25,000	-	25,000
Undesignated	253,016	1,808	-	-	254,824
TOTAL FUND BALANCES	<u>253,016</u>	<u>81,808</u>	<u>25,000</u>	<u>-</u>	<u>359,824</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 329,384</u>	<u>\$ 81,808</u>	<u>\$ 25,000</u>	<u>\$ 889</u>	<u>\$ 437,081</u>

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2005

Total Fund Balances for Governmental Funds	\$	359,824
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Cost of capital assets	755,436	
Accumulated depreciation	<u>(481,595)</u>	
		273,841

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Note payable	24,637	
Compensated absences	<u>61,800</u>	
		(86,437)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>547,228</u>
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The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2005

	General Fund	Library Trust Fund	Capital Projects Fund	Non-Major Governmental Funds	Total
REVENUES:					
Property taxes	\$ 660,459	\$ -	\$ -	\$ -	\$ 660,459
Federal sources	48,781	-	-	18,609	67,390
State Aid	60,084	-	-	433	60,517
Local sources	15,388	-	-	4,990	20,378
Interest	7,431	2,336	-	-	9,767
TOTAL REVENUES	792,143	2,336	-	24,032	818,511
EXPENDITURES:					
Current:					
Instruction and instruction support services	537,275	-	-	-	537,275
Supporting services	230,715	-	-	-	230,715
Community services	373	-	-	-	373
Food service activities	-	-	-	44,142	44,142
Athletic activities	-	-	-	56	56
Debt service	13,253	-	-	-	13,253
Capital outlay	341	-	-	-	341
TOTAL EXPENDITURES	781,957	-	-	44,198	826,155
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,186	2,336	-	(20,166)	(7,644)
OTHER FINANCING SOURCES (USES):					
Transfers in	528	-	25,000	20,166	45,694
Transfers from other governmental units	6,977	-	-	-	6,977
Transportation reimbursement	29,963	-	-	-	29,963
Transfers out	(45,166)	(528)	-	-	(45,694)
TOTAL OTHER FINANCING SOURCES (USES)	(7,698)	(528)	25,000	20,166	36,940
NET CHANGE IN FUND BALANCES	2,488	1,808	25,000	-	29,296
Fund Balance, July 1	250,528	80,000	-	-	330,528
FUND BALANCE, JUNE 30	\$ 253,016	\$ 81,808	\$ 25,000	\$ -	\$ 359,824

The accompanying notes are an integral part of these financial statements.

Powell Township School District

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities**

For the Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	29,296
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*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

	Depreciation expense	(45,452)	
	Capital outlays	-	
	Gain (Loss) on disposal of fixed assets	-	
		-	(45,452)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

11,442

Accrued interest is recorded in the statement of activities when incurred; it is not reported in the governmental funds until paid

1,248

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

	Change in sick and vacation leave	2,906	2,906
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Change in Net Assets of Governmental Activities	\$	(560)
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The accompanying notes are an integral part of these financial statements.

**Powell Township School District
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2005**

	Scholarship Fund	Student Activities Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and equivalents	\$ 7,578	\$ 5,284
Accounts receivable	-	-
Investments	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>7,578</u>	<u><u>\$ 5,284</u></u>
LIABILITIES:		
Due to student activities	-	\$ 5,284
Due to other funds	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u><u>\$ 5,284</u></u>
NET ASSETS:		
Reserved for scholarships	<u>7,578</u>	
TOTAL NET ASSETS	<u><u>\$ 7,578</u></u>	

The accompanying notes are an integral part of these financial statements.

**Powell Township School District
Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2005**

	Scholarship Fund
	<hr/>
ADDITIONS:	
Private sources contributions	\$ 150
Interest	175
Other sources	<hr/> -
TOTAL ADDITIONS	<hr/> 325
DEDUCTIONS:	
Scholarships awarded	-
Transfers out	<hr/> -
TOTAL DEDUCTIONS	<hr/> -
CHANGE IN NET ASSETS	325
Net assets, July 1	<hr/> 7,253
NET ASSETS, JUNE 30	<hr/> <hr/> \$ 7,578

The accompanying notes are an integral part of these financial statements.

POWELL TOWNSHIP SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Powell Township Schools conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Powell Township Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund - The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service and Athletics Funds.

Debt Retirement Funds - The Debt Retirement Funds are used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Fund - Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Fiduciary Funds

Trust and Agency Fund - The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$7,299 in the General Fund for grant funding that has been received but is unearned.

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied, provided they are available to finance expenditures of the current period.

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

As of June 30, 2005, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental <u>Activities</u>	Fiduciary <u>Funds</u>	Total Primary <u>Government</u>
Cash and equivalents	<u>\$357,276</u>	<u>\$12,862</u>	<u>\$370,138</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. As of June 30, 2005, \$295,853 of the District's bank balance of \$396,092 was exposed to custodial credit risk as being uninsured and uncollateralized.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments consist of \$10,994 due from the State of Michigan for State Aid and \$68,218 due from other governmental units for the operation of special programs and grant projects.

NOTE D – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The transfers between funds for the year ended June 30, 2005 are as follows:

<u>Fund</u>	<u>Transfer Out</u>	<u>Fund</u>	<u>Transfer In</u>
General	\$45,166	Athletics	\$ 56
		School Service	20,110
		Capital Projects	<u>25,000</u>
Total	<u>\$45,166</u>	Total	<u>\$45,166</u>
Library	<u>\$ 528</u>	General Fund	<u>\$ 528</u>

NOTE D – INTERFUND TRANSFERS IN AND TRANSFERS OUT (Continued):

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE F – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance at 7/01/04	Additions	Disposals	Balance at 6/30/05
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$94,512	\$ -	\$ -	\$94,512
Capital assets being depreciated:				
Buildings and improvements	347,716	-	-	347,716
Buses	169,093	-	-	169,093
Vehicle	7,204	-	-	7,204
Furniture and equipment	<u>136,911</u>	<u>-</u>	<u>-</u>	<u>136,911</u>
Total Capital Assets	<u>755,436</u>	<u>-</u>	<u>-</u>	<u>755,436</u>
Less accumulated depreciation:				
Buildings and improvements	277,725	3,499	-	281,224
Buses	78,234	21,136	-	99,370
Vehicle	2,702	900	-	3,602
Furniture and equipment	<u>77,482</u>	<u>19,917</u>	<u>-</u>	<u>97,399</u>
Total Accumulated Depreciation	<u>436,143</u>	<u>45,452</u>	<u>-</u>	<u>481,595</u>
Governmental Activities Capital Assets, Net	<u>\$319,293</u>	<u>\$(45,452)</u>	<u>\$ -</u>	<u>\$273,841</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Instruction	\$ 9,705
Supporting services	35,456
Food service	291
Total Governmental Activities Depreciation Expense	<u>\$ 45,452</u>

NOTE F – LONG-TERM OBLIGATIONS:

A summary of changes in long-term obligations at June 30, 2005 and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
Bus note payable, due in annual installments of \$13,254 including interest at 5.02% through October 2006	\$36,079	\$-	\$11,442	\$24,637
Employee Benefits – terminal leave	64,706	3,050	5,956	61,800
Total	<u>\$100,785</u>	<u>\$3,050</u>	<u>\$17,398</u>	<u>\$86,437</u>

NOTE F – LONG-TERM OBLIGATIONS (Continued):

Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2005 (exclusive of employee benefits) are as follows:

<u>Fiscal</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$12,017	\$1,237	\$13,254
2007	12,620	634	13,254
Total	<u>\$24,637</u>	<u>\$1,871</u>	<u>\$26,508</u>

Employee Benefits

The School District accrues the liability for earned sick leave based on the termination method. The liability is accrued as the benefits are earned. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement. Benefits shall be paid to employees who have reached the retirement age as stated in the Michigan General Schools Laws and used by the Michigan Public Schools Employees Retirement Board and have spent a minimum of 10 years of full time service or become totally disabled. Teachers earn 10 days of sick leave per year and can accumulate up to a maximum of 200 days for teacher hired prior to July 1, 2003 and 100 days for teachers hired after July 1, 2003. Upon termination of employment, accrued sick days are paid at the rate of \$50 per day for the first 100 days and \$60 per day for 101 to 200 days. Other non-teaching employees earn one sick day per month they work and may accrue up to 200 sick leave days, and are paid for up to 100 sick leave days upon retirement at the rate of \$50 per day. As of June 30, 2005, the liability for sick leave, as reported in the General Long-Term Debt Account Group, is \$61,800.

NOTE G – STATE REVENUE:

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2005, the foundation allowance was based on the weighted average of pupil membership counts taken in February and September of 2004.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2004 - August 2005.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

NOTE H – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$4,600 during fiscal 2005 in revenues and expenditures for USDA commodities.

NOTE I – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2004 totaled \$49,262,301 (\$13,513,841 designated as Homestead and \$35,748,460 designated as Non-Homestead). The total tax levied consists of 18.0 mills for the General Fund.

NOTE J – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2005:

	<u>Excess Expenditures</u>
General Fund:	
Business services	\$1,016
Special Revenue Funds:	
Food Service Activities	5,689

NOTE K – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 12.99% of covered compensation to the Plan through September 30, 2004 and 14.87% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2005 was \$75,541 which consisted of \$61,263 from the District and \$14,278 from employees electing the MIP option. These represent approximately 15% and 3% of covered payroll, respectively.

NOTE K – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Payroll paid to employees covered by the System for the year ended June 30, 2005 was approximately \$419,000. The District's total payroll was approximately \$455,000.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE L – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees (worker's compensation); and natural disasters. The District has purchased commercial insurance for health claims and participates in the SET/SEG (risk pool) for claims relating to worker's compensation and property/casualty claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the District participates operates as a common risk-sharing management program for school districts in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The District estimates that the amount of actual or potential claims, if any, against the District as of June 30, 2005, not covered by insurance are not material to the general purpose financial statement. Therefore, no provision for estimated claims is recognized.

NOTE M – ECONOMIC DEPENDENCY:

The School District receives approximately 5 percent of its revenues through State and Federal sources and 80 percent through property revenue to be used for providing elementary education to the students of Powell Township Schools.

NOTE N – ENDOWMENT FUNDS:

The following endowed funds are considered to be the property of the various groups and not the District. The \$80,000 Carl Don Johnson Fund corpus is to be retained, with the income restricted to library use.

The School District entered into an agreement with the Marquette Community Foundation on July 18, 2000 for the creation of the Powell Township Education Fund (the "Fund"). The Fund's purpose is to benefit educational purposes within Powell Township School District. If the District should cease to exist, the Fund will be used for educational purposes in Powell Township. The District transferred \$10,000 irrevocable to the Foundation to establish the Fund during the year ended June 30, 2001.

REQUIRED SUPPLEMENTAL INFORMATION

Powell Township School District
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 682,977	\$ 688,577	\$ 683,278	\$ 5,600	\$ (5,299)
State sources	64,515	59,720	60,084	(4,795)	364
Federal sources	31,496	50,286	48,781	18,790	(1,505)
TOTAL REVENUES	778,988	798,583	792,143	19,595	(6,440)
EXPENDITURES:					
Instruction and instructional services					
Basic programs	427,110	433,179	423,939	(6,069)	9,240
Added needs	86,700	83,644	81,558	3,056	2,086
Student services	10,183	10,740	9,745	(557)	995
Instructional staff	20,388	25,276	22,033	(4,888)	3,243
Supporting Services					
General administration	75,264	70,434	68,792	4,830	1,642
Business services	10,800	11,009	12,025	(209)	(1,016)
Operation and maintenance	79,639	91,139	87,459	(11,500)	3,680
Transportation	63,548	63,332	62,439	216	893
Community Services	-	681	373	(681)	308
Capital Outlay	-	400	341	(400)	59
Debt Service	13,570	13,570	13,253	-	317
TOTAL EXPENDITURES	787,202	803,404	781,957	(16,202)	21,447
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,214)	(4,821)	10,186	3,393	15,007
OTHER FINANCING SOURCES (USES)					
Transfers in	1,800	528	528	(1,272)	-
Transfers from other governmental units	11,500	6,978	6,977	(4,522)	(1)
Transportation reimbursement	23,000	27,000	29,963	4,000	2,963
Transfers out	(21,634)	(45,187)	(45,166)	(23,553)	21
TOTAL OTHER FINANCING SOURCES (USES)	14,666	(10,681)	(7,698)	(25,347)	2,983
NET CHANGE IN FUND BALANCE	6,452	(15,502)	2,488	(21,954)	17,990
Fund Balance, July 1, 2004	250,528	250,528	250,528	-	-
FUND BALANCE, JUNE 30, 2005	\$ 256,980	\$ 235,026	\$ 253,016	\$ (21,954)	\$ 17,990

OTHER SUPPLEMENTAL INFORMATION

Powell Township School District

General Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
Local Sources:			
Property Taxes	\$ 647,681	\$ 647,680	\$ (1)
Commercial Forest Tax	12,700	12,779	79
Other Local Sources:			
Tuition	868	715	(153)
Community Services	4,700	4,713	13
Other local revenue	15,128	9,960	(5,168)
Income from deposits	7,500	7,431	(69)
TOTAL LOCAL SOURCES	<u>688,577</u>	<u>683,278</u>	<u>(5,299)</u>
State Sources:			
State Aid Foundation	24,520	24,520	-
Special Education	5,500	5,549	49
Preschool	29,700	29,700	-
Other	-	315	315
TOTAL STATE SOURCES	<u>59,720</u>	<u>60,084</u>	<u>364</u>
Federal Sources:			
Elementary and Secondary Education Act	46,662	44,931	(1,731)
Other	3,624	3,850	226
TOTAL FEDERAL SOURCES	<u>50,286</u>	<u>48,781</u>	<u>(1,505)</u>
TOTAL REVENUES	<u>798,583</u>	<u>792,143</u>	<u>(6,440)</u>
EXPENDITURES:			
INSTRUCTION			
Basic Programs:			
Elementary:			
Salaries	201,078	200,325	753
Employee benefits	107,137	102,088	5,049
Purchased services	2,603	2,239	364
Supplies and materials	10,342	8,781	1,561
TOTAL ELEMENTARY	<u>321,160</u>	<u>313,433</u>	<u>7,727</u>
Middle School			
Salaries	52,669	52,669	-
Employee benefits	28,016	26,829	1,187
Purchased services	-	-	-
Supplies, materials and other	350	347	3
TOTAL MIDDLE SCHOOL	<u>81,035</u>	<u>79,845</u>	<u>1,190</u>
Preschool:			
Salaries	18,187	18,919	(732)
Employee benefits	10,766	10,567	199
Purchased services	200	140	60
Supplies, materials and other	1,831	1,035	796
TOTAL PRESCHOOL	<u>30,984</u>	<u>30,661</u>	<u>2,703</u>
TOTAL BASIC PROGRAMS	<u>433,179</u>	<u>423,939</u>	<u>9,240</u>

Powell Township School District

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Added Needs:			
Special Education:			
Salaries	\$ 35,041	\$ 34,817	\$ 224
Employee benefits	20,330	19,315	1,015
Purchased services	1,225	869	356
Supplies and materials	611	503	108
TOTAL SPECIAL EDUCATION	57,207	55,504	1,703
Compensatory Education:			
Salaries	17,864	17,820	44
Employee benefits	7,192	7,317	(125)
Supplies, materials and other	1,379	917	462
TOTAL COMPENSATORY EDUCATION	26,435	26,054	381
TOTAL ADDED NEEDS	83,644	81,558	2,086
TOTAL INSTRUCTION	516,823	505,497	11,326
INSTRUCTIONAL SERVICES			
Student Services:			
Salaries	10,313	9,343	970
Employee benefits	66	41	25
Supplies, materials and other	361	361	-
TOTAL STUDENT SERVICES	10,740	9,745	995
Instructional Staff:			
Salaries	13,350	13,458	(108)
Employee benefits	3,006	2,973	33
Purchased services	1,038	790	248
Supplies and materials	7,883	4,812	3,071
TOTAL INSTRUCTIONAL STAFF	25,276	22,033	3,243
TOTAL INSTRUCTIONAL SERVICES	36,016	31,778	4,238
TOTAL INSTRUCTION AND INSTRUCTIONAL SUPPORT SERVICES	552,839	537,275	15,564
SUPPORTING SERVICES			
General Administration:			
Board of Education:			
Salaries	1,800	1,560	240
Purchased services	4,700	4,700	-
Supplies, materials and other	5,010	4,896	114
TOTAL BOARD OF EDUCATION	11,510	11,156	354

Powell Township School District

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Executive Administration:			
Salaries	\$ 37,554	\$ 37,598	\$ (44)
Employee benefits	9,260	9,196	64
Purchased services	9,585	8,213	1,372
Supplies, materials and other	2,525	2,629	(104)
TOTAL EXECUTIVE ADMINISTRATION	58,924	57,636	1,288
TOTAL GENERAL ADMINISTRATION	70,434	68,792	1,642
Business Services:			
Purchased services	11,009	12,025	(1,016)
TOTAL BUSINESS SERVICES	11,009	12,025	(1,016)
Operation and Maintenance:			
Salaries	28,353	29,111	(758)
Employee benefits	14,287	14,365	(78)
Purchased services	43,749	40,984	2,765
Supplies, materials and other	4,750	2,999	1,751
TOTAL OPERATION AND MAINTENANCE	91,139	87,459	3,680
Transportation:			
Salaries	26,495	26,963	(468)
Employee benefits	18,500	18,122	378
Purchased services	7,037	6,866	171
Supplies and materials	11,300	10,488	812
TOTAL TRANSPORTATION	63,332	62,439	893
TOTAL SUPPORTING SERVICES	235,914	230,715	5,199
COMMUNITY SERVICES			
Salaries	72	72	-
Employee benefits	17	16	1
Purchased services	50	-	50
Supplies and materials	542	285	257
TOTAL COMMUNITY ACTIVITIES	681	373	308
CAPITAL OUTLAY			
Supporting services	300	271	29
Operations and maintenance	100	70	30
TOTAL CAPITAL OUTLAY	400	341	59
DEBT SERVICE:			
Principal payments	11,758	11,442	316
Interest payments	1,812	1,811	1
TOTAL DEBT SERVICE	13,570	13,253	317
TOTAL EXPENDITURES	803,404	781,957	21,447
EXCESS REVENUES (EXPENDITURES)	(4,821)	10,186	15,007

Powell Township School District

General Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2005

	Final Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses):			
Transfers In	\$ 528	\$ 528	\$ -
Transfers from other governmental units	6,978	6,977	(1)
Transportation reimbursement	27,000	29,963	2,963
Transfers (out)	(45,187)	(45,166)	21
TOTAL OTHER FINANCING SOURCES (USES)	(10,681)	(7,698)	2,983
NET CHANGE IN FUND BALANCE	(15,502)	2,488	17,990
Fund Balance, July 1	250,528	250,528	-
FUND BALANCE, JUNE 30	\$ 235,026	\$ 253,016	\$ 17,990

Powell Township School District
Non-Major Special Revenue Funds
Combining Balance Sheet

June 30, 2005

	School Lunch Fund	Athletic Fund	Total
ASSETS:			
Cash and cash equivalents	\$ 298	\$ -	\$ 298
Due from other governmental units	-	-	-
Inventory	591	-	591
TOTAL ASSETS	\$ 889	\$ -	\$ 889
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 87	\$ -	\$ 87
Accrued expenses	211	-	211
Deferred revenues	591	-	591
TOTAL LIABILITIES	889	-	889
FUND BALANCES:			
Reserved for school service activities	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 889	\$ -	\$ 889

Powell Township School District

Non-Major Special Revenue Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2005

	School Lunch Fund	Athletic Fund	Total
REVENUES:			
Athletic activities	\$ -	\$ -	\$ -
School lunch activities	4,990	-	4,990
State aid	433	-	433
Federal sources	18,609	-	18,609
TOTAL REVENUES	<u>24,032</u>	<u>-</u>	<u>24,032</u>
EXPENDITURES:			
School lunch activities	44,142	-	44,142
Athletic activities	-	56	56
TOTAL EXPENDITURES	<u>44,142</u>	<u>56</u>	<u>44,198</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,110)</u>	<u>(56)</u>	<u>(20,166)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	20,110	56	20,166
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,110</u>	<u>56</u>	<u>20,166</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Powell Township School District

School Lunch Fund

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual**

For the Year Ended June 30, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:			
School lunch activities	\$ 4,210	\$ 4,990	\$ 780
State aid	435	433	(2)
Federal sources	<u>13,821</u>	<u>18,609</u>	<u>4,788</u>
TOTAL REVENUES	<u>18,466</u>	<u>24,032</u>	<u>5,566</u>
EXPENDITURES:			
School lunch activities:	38,453		
Salaries	-	12,801	(12,801)
Employee benefits	-	12,190	(12,190)
Purchased services	-	1,741	(1,741)
Supplies and materials	<u>-</u>	<u>17,410</u>	<u>(17,410)</u>
TOTAL EXPENDITURES	<u>38,453</u>	<u>44,142</u>	<u>(44,142)</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>(19,987)</u>	<u>(20,110)</u>	<u>(38,576)</u>
OTHER FINANCING SOURCES (USES):			
Transfer from general fund	<u>19,987</u>	<u>20,110</u>	<u>123</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>19,987</u>	<u>20,110</u>	<u>123</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(38,453)</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (38,453)</u></u>

Powell Township School District

Athletic Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

For the Year Ended June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Athletic activities	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Athletic activities:			
Salaries	-	-	-
Employee benefits	-	-	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Other expenses	200	56	144
TOTAL EXPENDITURES	200	56	144
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(200)	(56)	144
OTHER FINANCING SOURCES (USES):			
Transfers from general fund	200	56	(144)
TOTAL OTHER FINANCING SOURCES (USES)	200	56	(144)
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Powell Township School District
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Interest	\$ -	\$ -	\$ -
Sale of Fixed Assets	-	-	-
Other revenues	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES:			
Other Expenditures	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	-	-	-
EXCESS REVENUES OVER (UNDER) EXPENDITURES	-	-	-
Other Financing Sources (Uses):			
Transfer in - General Fund	25,000	25,000	-
TOTAL OTHER FINANCING SOURCES	25,000	25,000	-
FUND BALANCE, JULY 1	-	-	-
FUND BALANCE, JUNE 30	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>

Powell Township School District
Student Activity Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2005

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
ASSETS:				
Cash and cash equivalents	\$ 13,455	\$ -	\$ 8,171	\$ 5,284
TOTAL ASSETS	<u>\$ 13,455</u>	<u>\$ -</u>	<u>\$ 8,171</u>	<u>\$ 5,284</u>
LIABILITIES:				
Due to Parent Group	\$ 3,547	\$ -	\$ 31	\$ 3,516
Due to Class Trip 2005	9,421	-	8,310	1,111
Due to Class Trip 2007	110	57	-	167
Due to Class Trip 2009	153	13	-	166
Due to Class Trip 2011	180	64	-	244
Due to Class Trip 2013	44	36	-	80
TOTAL LIABILITIES	<u>\$ 13,455</u>	<u>\$ 170</u>	<u>\$ 8,341</u>	<u>\$ 5,284</u>

COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE
WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Powell Township Schools
Big Bay, Michigan

We have audited the governmental activities, major funds, and the aggregate remaining fund information of Powell Township Schools, Michigan, as of and for the year ended June 30, 2005, which collectively comprise Powell Township Schools, Michigan's basic financial statements and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about Powell Township School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management dated September 21, 2005.

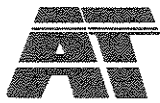
Internal Control Over Financial Reporting

In planning and performing our audit, we considered whether Powell Township School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the finance committee, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 21, 2005



Powell Township School District
Report to Management Letter
For the Year Ended June 30, 2005

Board of Education
Powell Township School District
Big Bay, Michigan 49808

In planning and performing our audit of the financial statements of the Powell Township School District for the year ended June 30, 2005; we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could affect the Powell Township School District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Instances of Non-Compliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

Board of Education
Powell Township School District
Big Bay, Michigan 49808

The Powell Township School District was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in the Footnotes of the financial statements.

* * * * *

This report is intended solely for the information and use of the Powell Township School District board, management, and other legislative or regulatory body and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Powell Township School District's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 21, 2005



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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GREEN BAY
MILWAUKEE

September 21, 2005

Board of Education
Powell Township School District
Big Bay, Michigan 49808

We have audited the financial statements of the Powell Township School District for the year ended June 30, 2005, and have issued our report thereon dated September 21, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Powell Township School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Powell Township School District are described in Footnotes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Powell Township School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Significant Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Powell Township School District financial reporting process (that is,

Board of Education
Powell Township School District
Big Bay, Michigan 49808

cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Powell Township School District, either individually or in the aggregate, indicates matters that could have a significant effect on the Powell Township School District's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Powell Township School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

Conclusion

This information is intended solely for the use of the Powell Township School District Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants